



**Neighborhood Home Improvement Program  
Subordination Policy for City of Fremont Approved Lenders  
December 2013**

**On occasion, the City of Fremont receives a request to subordinate its interest in a home under the Neighborhood Home Improvement Program so that the current homeowner can re-finance their first loan.** When a new mortgage loan is obtained, and the old mortgage loan is paid off, the City's interest in the property moves into first position on title, unless the City agrees to subordinate its interest to the new financing. Because most mortgage lenders refuse to make a loan with the most favorable terms unless their loan is in first position, the City will agree to subordinate its position if certain conditions are met. These conditions are listed below:

1. Cash-out request can be no more than the remaining principal amount of the first mortgage plus the value of any capital improvements and loan closing costs. Additionally, the Owner's Monthly Housing cost after refinancing cannot exceed the applicable Affordable Housing cost. However, the cash-out request cannot exceed 80% of the property value determined by an appraisal approved by the City. Cash out requests are only for:
  - delinquent property taxes;
  - proof of medical hardship;
  - unpaid emergency medical bills.

Cash out means the use of loan funds to pay off items other than existing debt, reasonable closing and finance costs. For example, the City will not subordinate to a new loan that pays off credit cards, personal loans, auto loans, junior debt or liens recorded after the City's loan.

Proof of medical hardship, such as a need for an automobile with hand controls or ramps to facilitate handicap access to the home, requires the homeowner to submit a medical/physician's report presenting the need for the cost prohibitive equipment.

2. The new loan may be slightly greater than the previous loan to provide for "reasonable costs" necessary to refinance.
3. The new loan must have a fixed interest rate, be amortized over at least 30 years, with no balloon payments, and substantially reduce borrower's monthly payments. The Monthly Housing Cost must not be greater than the Affordable Housing cost.
4. The new loan must not include or allow for "pre-payment penalties."
5. Borrower may not have filed bankruptcy within the past five (5) years.

6. The City will not subordinate to lower than second (2<sup>nd</sup>) position.
7. City's underwriter will review the borrower's credit report. **So, please provide a credit report.**
8. Only a **Primary or Secondary Contact Person** from the City of Fremont's Approved Lender list is authorized to **provide a copy of the following documents** to the City (address listed in the next page) as well as a cover page to include the original and new loan amount(s), original and new interest rate, original and new monthly mortgage payments and amount of reduction in the monthly mortgage payments:
  - Hardship (unpaid delinquent property tax, medical hardship, unpaid emergency medical bill)
  - Income documentation (3 most current paycheck stubs from borrower(s)).
  - A current appraisal completed within the last 60 days.
  - A preliminary title report completed within the last 30 days.
  - A current mortgage statement.
  - An Estimated Closing statement.
  - A Loan Approval form from 1<sup>st</sup> trustee lender.
  - A loan application.
  - A description of the proposed financing including:
    - The amount of the proposed loan
    - The interest rate ○ The term
    - The type of loan (adjustable, fixed)
    - The current balance of all loans secured by the property
  - Current Credit Report
  - Documentation to establish the following cost:
    - Utilities
    - Property taxes
    - Property insurance
    - Mortgage insurance premium (if applicable)
    - Homeowners association fee (if applicable)
    - Allowance for maintenance and repairs (if applicable)
9. Subordination fee: **\$250.00. To avoid any delay in the underwriting process, please include with your subordination request a money order or a cashier's check addressed to City's underwriter, AmeriNational Community Services.**
10. Once the City receives the documents, the City will do an initial review of the information submitted. This process should take no more than **five (5) business days**.
11. The City will then forward the documents to its underwriting agent. The underwriting agent will evaluate the appraisal, title report, credit report, description of proposed financing, the current balance of all loans secured by the property, and the debt-to-value ratio. Typically, this process should take no more than **twenty (20) business days**.

12. If the City's underwriting agent determines that the request meets the City's debt-to-value ratio and financing requirements, then the underwriter will forward the subordination analysis to the City for approval. Upon the City's approval, the Subordination Agreement is prepared and forwarded to the Title Company for borrower's notarized signature(s). However, if the subordination request is not approved, the City's underwriting agent will notify the lender and the title company and provide the reason for the denial.
13. Once the City receives the Subordination Agreement (with borrower & notary signatures), it generally takes the City **five (5) business days** to process for appropriate City signatures. When the Subordination Agreement is executed by the City and is ready for pick up, City staff will notify the Title Company.
14. **Average total turn around time for Subordination Requests is a minimum of thirty five (35) business days.**

**The primary or secondary contact person on the City's Approved Lender list must send the subordination request along with the supporting documentation through a Title Company to:**

**City of Fremont  
Housing Division  
Community Development  
39550 Liberty Street  
Fremont, CA 94538  
ATTN: May Lee, Housing Manager**